

TOWNSHIP OF MASONVILLE  
Delta County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2007

# AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Masonville	<b>County</b> Delta
<b>Audit Date</b> March 31, 2007	<b>Opinion Date</b> June 27, 2007	<b>Date Accountant Report Submitted to State:</b> July 24, 2007	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |  |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).   |

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
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<b>Accountant Signature</b> <i>Campbell, Kusterer &amp; Co., PC</i>			

TOWNSHIP OF MASONVILLE  
Delta County, Michigan

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Delta County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

June 27, 2007

To the Township Board  
Township of Masonville  
Delta County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Township of Masonville, Delta County, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Masonville's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Township of Masonville, Delta County, Michigan as of March 31, 2007, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 27, 2007, on our consideration of the Township's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., PC*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountant

TOWNSHIP OF MASONVILLE  
Delta County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2007

The Management's Discussion and Analysis report of the Township of Masonville covers the Township's financial performance during the year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2007, totaled \$842,221.79 for governmental activities and \$5,743,762.96 for business activities. Overall total capital assets increased due to the building of the sewer system.

Overall revenues were \$327,974.44 from governmental activities and \$37,416.25 from business-type activities. Governmental activities had a \$65,995.63 increase in net assets. Business-type activities had an increase in net assets of \$2,034,643.08.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

TOWNSHIP OF MASONVILLE  
Delta County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2007

All of the activities of the Township are reported as governmental activities and business-type activities. These include the General Fund, CDBG Fund, Roads and Bridges Fund, Building Maintenance Fund, Sewer Fund, Current Tax Collection Fund, and the Agency Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: Some of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund, CDBG Fund, Roads and Bridges Fund, and the Building Maintenance Fund.

Business-Type Funds: The Township has a Sewer Fund which includes the activity of providing sewer services to Township residents.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in both the governmental and business-type activities remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of \$234,572.57.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$11,500.00 in capital assets.

The Township's business-type activities invested \$2,065,813.46 in capital assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

The Township's business-type activities paid \$0 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at P.O. Box 166, Rapid River, Michigan 49878 or call 906-474-9505.

TOWNSHIP OF MASONVILLE  
Delta County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Cash in bank	601 768 37	24 764 86	626 533 23
Taxes receivable	4 932 42	-	4 932 42
Accounts receivable	-	12 703 73	12 703 73
Total Current Assets	<u>606 700 79</u>	<u>37 468 59</u>	<u>644 169 38</u>
NON-CURRENT ASSETS:			
Capital Assets	1 407 425 00	6 854 839 77	8 262 264 77
Less: Accumulated Depreciation	<u>(1 171 904 00)</u>	<u>(68 545 40)</u>	<u>(1 240 449 40)</u>
Total Non-current Assets	<u>235 521 00</u>	<u>6 786 294 37</u>	<u>7 021 815 37</u>
TOTAL ASSETS	<u>842 221 79</u>	<u>6 823 762 96</u>	<u>7 665 984 75</u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NON-CURRENT LIABILITIES:			
Bonds payable	<u>-</u>	1 080 000 00	1 080 000 00
Total Non-current Liabilities	<u>-</u>	<u>1 080 000 00</u>	<u>1 080 000 00</u>
Total Liabilities	<u>-</u>	<u>1 080 000 00</u>	<u>1 080 000 00</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	235 521 00	5 706 294 37	5 941 815 37
Unrestricted	<u>606 700 79</u>	<u>37 468 59</u>	<u>644 169 38</u>
Total Net Assets	<u>842 221 79</u>	<u>5 743 762 96</u>	<u>6 585 984 75</u>
TOTAL LIABILITIES AND NET ASSETS	<u>842 221 79</u>	<u>6 823 762 96</u>	<u>7 665 984 75</u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF MASONVILLE  
Delta County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2007

		<u>Program Revenue</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants- Contributions</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	8 356 08	-	-
General government	148 623 94	53 275 68	-
Public safety	47 394 48	2 320 00	-
Public works	22 395 65	-	-
Recreation and culture	14 711 97	-	-
Other	14 201 45	-	-
	<u>255 683 57</u>	<u>55 595 68</u>	<u>-</u>
<b>Total Governmental Activities</b>			
Business-Type Activities:			
Sewer	127 081 14	37 404 07	2 118 012 73
	<u>127 081 14</u>	<u>37 404 07</u>	<u>2 118 012 73</u>
<b>Total Business-Type Activities</b>			
<b>Total Government</b>	<u>382 764 71</u>	<u>92 999 75</u>	<u>2 118 012 73</u>
General Revenues:			
Property taxes			
Other taxes			
State revenue sharing			
Interest			
Miscellaneous			
Transfers			
<b>Total General Revenues</b>			
<b>Change in net assets</b>			
<b>Net assets, beginning of year</b>			
<b>Net Assets, End of Year</b>			

The accompanying notes are an integral part of these financial statements.

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
(8 356 08)	-	(8 356 08)
(95 348 26)	-	(95 348 26)
(45 074 48)	-	(45 074 48)
(22 395 65)	-	(22 395 65)
(14 711 97)	-	(14 711 97)
<u>(14 201 45)</u>	<u>-</u>	<u>(14 201 45)</u>
<u>(200 087 89)</u>	<u>-</u>	<u>(200 087 89)</u>
<u>-</u>	<u>2 028 335 66</u>	<u>2 028 335 66</u>
<u>-</u>	<u>2 028 335 66</u>	<u>2 028 335 66</u>
<u>(200 087 89)</u>	<u>2 028 335 66</u>	<u>1 828 247 77</u>
46 850 87	-	46 850 87
19 983 24	-	19 983 24
133 801 80	-	133 801 80
14 891 23	12 18	14 903 41
56 851 62	-	56 851 62
<u>(6 295 24)</u>	<u>6 295 24</u>	<u>-</u>
<u>266 083 52</u>	<u>6 307 42</u>	<u>272 390 94</u>
65 995 63	2 034 643 08	2 100 638 71
<u>776 226 16</u>	<u>3 709 119 88</u>	<u>4 485 346 04</u>
<u>842 221 79</u>	<u>5 743 762 96</u>	<u>6 585 984 75</u>

TOWNSHIP OF MASONVILLE  
Delta County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2007

	<u>General</u>	<u>Roads and Bridges</u>	<u>Other Funds</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	335 549 43	211 149 52	55 069 42	601 768 37
Taxes receivable	<u>4 932 42</u>	<u>-</u>	<u>-</u>	<u>4 932 42</u>
Total Assets	<u>340 481 85</u>	<u>211 149 52</u>	<u>55 069 42</u>	<u>606 700 79</u>
<u>Liabilities and Fund Equity</u>				
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>340 481 85</u>	<u>211 149 52</u>	<u>55 069 42</u>	<u>606 700 79</u>
Total fund equity	<u>340 481 85</u>	<u>211 149 52</u>	<u>55 069 42</u>	<u>606 700 79</u>
Total Liabilities and Fund Equity	<u>340 481 85</u>	<u>211 149 52</u>	<u>55 069 42</u>	<u>606 700 79</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MASONVILLE  
Delta County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	606 700 79
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	1 407 425 00
Accumulated depreciation	<u>(1 171 904 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>842 221 79</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MASONVILLE  
Delta County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2007

	<u>General</u>	<u>Roads and Bridges</u>	<u>Other Funds</u>	<u>Total</u>
Revenues:				
Property taxes	46 850 87	-	-	46 850 87
Other taxes	19 983 24	-	-	19 983 24
Licenses and permits	495 00	-	-	495 00
State revenue sharing	133 801 80	-	-	133 801 80
Charges for services:				
PTAF	24 285 44	-	-	24 285 44
Cemetery	2 850 00	-	-	2 850 00
Fire	2 320 00	-	-	2 320 00
Interest	6 998 74	6 534 22	1 358 27	14 891 23
Rents	25 645 24	-	-	25 645 24
Miscellaneous	<u>56 851 62</u>	<u>-</u>	<u>-</u>	<u>56 851 62</u>
Total revenues	<u>320 081 95</u>	<u>6 534 22</u>	<u>1 358 27</u>	<u>327 974 44</u>
Expenditures:				
Legislative:				
Township Board	8 356 08	-	-	8 356 08
General government:				
Supervisor	8 910 91	-	-	8 910 91
Elections	2 825 58	-	-	2 825 58
Assessor	18 415 79	-	-	18 415 79
Clerk	7 912 24	-	-	7 912 24
Board of Review	963 28	-	-	963 28
Treasurer	16 259 07	-	-	16 259 07
Building and grounds	68 248 96	-	-	68 248 96
Cemetery	7 411 11	-	-	7 411 11
Public safety:				
Liquor law enforcement	1 991 35	-	-	1 991 35
Fire protection	14 117 15	-	-	14 117 15
Medical services	13 438 36	-	-	13 438 36
Planning and zoning	2 913 62	-	-	2 913 62
Public works:				
Highways and streets	18 752 55	-	-	18 752 55
Sanitation	3 643 10	-	-	3 643 10
Recreation:				
Recreation	14 711 97	-	-	14 711 97
Other:				
Insurance	10 988 00	-	-	10 988 00
Retirement	3 213 45	-	-	3 213 45
Capital outlay	<u>11 500 00</u>	<u>-</u>	<u>-</u>	<u>11 500 00</u>
Total expenditures	<u>234 572 57</u>	<u>-</u>	<u>-</u>	<u>234 572 57</u>
Excess (deficiency) of revenues over expenditures	<u>85 509 38</u>	<u>6 534 22</u>	<u>1 358 27</u>	<u>93 401 87</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MASONVILLE  
Delta County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2007

	<u>General</u>	<u>Roads and Bridges</u>	<u>Other Funds</u>	<u>Total</u>
Other financing sources (uses):				
Operating transfers out	<u>(6 295 24)</u>	<u>-</u>	<u>-</u>	<u>(6 295 24)</u>
Total other financing sources (uses)	<u>(6 295 24)</u>	<u>-</u>	<u>-</u>	<u>(6 295 24)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	79 214 14	6 534 22	1 358 27	87 106 63
Fund balances, April 1	<u>261 267 71</u>	<u>204 615 30</u>	<u>53 711 15</u>	<u>519 594 16</u>
Fund Balances, March 31	<u><u>340 481 85</u></u>	<u><u>211 149 52</u></u>	<u><u>55 069 42</u></u>	<u><u>606 700 79</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MASONVILLE  
Delta County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2007

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	87 106 63
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(32 611 00)
Capital Outlay	<u>11 500 00</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>65 995 63</u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MASONVILLE  
Delta County, Michigan

STATEMENT OF NET ASSETS – BUSINESS-TYPE FUNDS  
March 31, 2007

	<u>Total (Sewer)</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	24 764 86
Accounts receivable	<u>12 703 73</u>
Total Current Assets	<u>37 468 59</u>
NON-CURRENT ASSETS:	
Capital Assets	6 854 839 77
Less: Accumulated Depreciation	<u>(68 545 40)</u>
Total Non-current Assets	<u>6 786 294 37</u>
TOTAL ASSETS	<u>6 823 762 96</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
LONG-TERM LIABILITIES:	
Bonds payable	<u>1 080 000 00</u>
Total Liabilities	<u>1 080 000 00</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	5 706 294 37
Unrestricted	<u>37 468 59</u>
Total Net Assets	<u>5 743 762 96</u>
TOTAL LIABILITIES AND NET ASSETS	<u>6 823 762 96</u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF MASONVILLE  
Delta County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS –  
BUSINESS-TYPE FUNDS  
Year ended March 31, 2007

	<u>Total (Sewer)</u>
OPERATING REVENUES:	
Service charges	<u>37 404 07</u>
Total Operating Revenues	<u>37 404 07</u>
OPERATING EXPENSES:	
Utilities	2 777 54
Miscellaneous	<u>2 378 90</u>
Total Operating Expenses	<u>5 156 44</u>
Operating Income (loss) before depreciation	32 247 63
Less: depreciation	<u>(68 545 40)</u>
Operating income (loss)	<u>(36 297 77)</u>
NON-OPERATING REVENUES (EXPENSES):	
Transfers in	6 295 24
Federal grants	1 571 700 00
State grants	546 312 73
Interest income	12 18
Interest expense	<u>(53 379 30)</u>
Total Non-operating Revenues (Expenses)	<u>2 070 940 85</u>
Change in net assets	2 034 643 08
Net assets, beginning of year	<u>3 709 119 88</u>
Net Assets, End of Year	<u><u>5 743 762 96</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MASONVILLE  
Delta County, Michigan

STATEMENT OF CASH FLOWS – BUSINESS-TYPE FUNDS  
Year ended March 31, 2007

	<u>Total (Sewer)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	24 700 34
Cash payments to suppliers for goods and services	(5 156 44)
Cash payments to employees for services	<u>-</u>
Net cash provided (used) by operating activities	<u>19 543 90</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Transfers from other funds	<u>6 295 24</u>
Net cash provided (used) by non-capital financing activities	<u>6 295 24</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases of capital assets	(2 065 813 46)
Proceeds from federal grants	1 571 700 00
Proceeds from state grants	546 312 73
Interest paid on debt service	<u>(53 379 30)</u>
Net cash provided (used) by capital and related financing activities	<u>(1 180 03)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	<u>12 18</u>
Net cash provided (used) by investing activities	<u>12 18</u>
Net increase (decrease) in cash	24 671 29
Cash beginning of year	<u>93 57</u>
Cash End of Year	<u><u>24 764 86</u></u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Income (loss) from operations	(36 297 77)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	68 545 40
(Increase) decrease in receivables	<u>(12 703 73)</u>
Net Cash Provided (Used) in Operating Activities	<u><u>19 543 90</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MASONVILLE  
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Masonville, Delta County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Masonville. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business-type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF MASONVILLE  
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Fund

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer enterprise funds are charges to customers for services. The enterprise funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Funds

The Current Tax Collection and Agency Funds are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

TOWNSHIP OF MASONVILLE  
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 28. The 2006 tax roll millage rate was .8844 mills, and the taxable value was \$52,943,768.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$2,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	5-15 years
Equipment	4-15 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.

TOWNSHIP OF MASONVILLE  
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 2 – Budgets and Budgetary Accounting (continued)

3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>626 563 23</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

TOWNSHIP OF MASONVILLE  
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 3 – Deposits and Investments (continued)

	<u>Bank Balances</u>
Insured (FDIC)	226 601 29
Uninsured and Uncollateralized	<u>411 110 30</u>
Total Deposits	<u>637 711 59</u>

The Township of Masonville did not have any investments as of March 31, 2007.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental and Business-Type activities for the current year was as follows:

	<u>Balance 4/1/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/07</u>
<u>Governmental Activities:</u>				
Land	53 300 00	-	-	53 300 00
Buildings	895 600 00	-	-	895 600 00
Equipment	<u>457 025 00</u>	<u>11 500 00</u>	<u>(10 000 00)</u>	<u>458 525 00</u>
Total	1 405 925 00	11 500 00	(10 000 00)	1 407 425 00
Accumulated Depreciation	<u>(1 149 293 00)</u>	<u>(32 611 00)</u>	<u>10 000 00</u>	<u>(1 171 904 00)</u>
Net Governmental Capital Assets	<u>256 632 00</u>	<u>(21 111 00)</u>	<u>-</u>	<u>235 521 00</u>
<u>Business-Type Activities:</u>				
Sewer Systems	4 789 026 31	2 065 813 46	-	6 854 839 77
Accumulated Depreciation	<u>-</u>	<u>(68 545 40)</u>	<u>-</u>	<u>(68 545 40)</u>
Net Business-Type Capital Assets	<u>4 789 026 31</u>	<u>1 997 268 06</u>	<u>-</u>	<u>6 786 294 37</u>

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Pension Plan

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2007, was \$3,213.45.

TOWNSHIP OF MASONVILLE  
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

**Note 7 – Changes in Long-Term Debt**

A summary of changes in long-term debt follows:

	<u>Balance 4/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/07</u>
Sewer Funds Bond Payable. Series 2005A	568 000 00	-	-	568 000 00
Sewer Funds Bond Payable. Series 2005B	<u>512 000 00</u>	<u>-</u>	<u>-</u>	<u>512 000 00</u>
Total	<u>1 080 000 00</u>	<u>-</u>	<u>-</u>	<u>1 080 000 00</u>

**Note 8 – Sewage Disposal System Revenue Bond, Series 2005A**

In 2005, the Township of Masonville sold \$568,000.00 of revenue bonds. As of March 31, 2007, the principal balance outstanding on the bonds was \$568,000.00.

<u>Due Date</u>	<u>Amount</u>
<u>April 1</u>	
2008	\$6 000 00
2009	6 000 00
2010	6 000 00
2011	7 000 00
2012	7 000 00
2013	7 000 00
2014	8 000 00
2015	8 000 00
2016	8 000 00
2017	9 000 00
2018	9 000 00
2019	10 000 00
2020	10 000 00
2021	10 000 00
2022	11 000 00
2023	11 000 00
2024	12 000 00
2025	12 000 00
2026	13 000 00
2027	14 000 00
2028	14 000 00
2029	15 000 00



TOWNSHIP OF MASONVILLE  
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 8 – Sewage Disposal System Revenue Bond, Series 2005A (continued)

<u>Due Date</u>	<u>Amount</u>
<u>April 1</u>	
2030	15 000 00
2031	16 000 00
2032	17 000 00
2033	18 000 00
2034	18 000 00
2035	19 000 00
2036	20 000 00
2037	21 000 00
2038	22 000 00
2039	23 000 00
2040	24 000 00
2041	25 000 00
2042	26 000 00
2043	27 000 00
2044	29 000 00
2045	<u>35 000 00</u>
Total	<u>\$568 000 00</u>

Note 9 – Sewage Disposal System Revenue Bond, Series 2005B

In 2005, the Township of Masonville sold \$512,000.00 of revenue bonds. As of March 31, 2007, the principal balance outstanding on the bonds was \$512,000.00.

<u>Due Date</u>	<u>Amount</u>
<u>April 1</u>	
2008	\$5 000 00
2009	6 000 00
2010	6 000 00
2011	6 000 00
2012	6 000 00
2013	7 000 00
2014	7 000 00
2015	7 000 00
2016	8 000 00
2017	8 000 00
2018	8 000 00
2019	9 000 00
2020	9 000 00
2021	9 000 00
2022	10 000 00
2023	10 000 00
2024	11 000 00
2025	11 000 00
2026	12 000 00
2027	12 000 00
2028	13 000 00
2029	13 000 00

TOWNSHIP OF MASONVILLE  
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 9 – Sewage Disposal System Revenue Bond, Series 2005B (continued)

<u>Due Date</u>	<u>Amount</u>
<u>April 1</u>	
2030	14 000 00
2031	15 000 00
2032	15 000 00
2033	16 000 00
2034	17 000 00
2035	17 000 00
2036	18 000 00
2037	19 000 00
2038	20 000 00
2039	21 000 00
2040	22 000 00
2041	23 000 00
2042	24 000 00
2043	25 000 00
2044	26 000 00
2045	<u>27 000 00</u>
Total	<u>\$512 000 00</u>

Note 10 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 11 – Building Permits

The Township of Masonville does not issue building permits.

Note 12 – Interfund Transfers

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Sewer	<u>6 295 24</u>	General	<u>6 295 24</u>
Total	<u>6 295 24</u>	Total	<u>6 295 24</u>

TOWNSHIP OF MASONVILLE  
Delta County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	45 000 00	45 000 00	46 850 87	1 850 87
Other taxes	3 100 00	3 100 00	19 983 24	16 883 24
Licenses and permits	800 00	800 00	495 00	(305 00)
State revenue sharing	85 000 00	90 000 00	133 801 80	43 801 80
Charges for services:				
PTAF	23 000 00	20 500 00	24 285 44	3 785 44
Cemetery	5 400 00	3 900 00	2 850 00	(1 050 00)
Fire	1 500 00	1 500 00	2 320 00	820 00
Interest	4 000 00	4 000 00	6 998 74	2 998 74
Rents	23 000 00	23 000 00	25 645 24	2 645 24
Miscellaneous	23 300 00	23 300 00	56 851 62	33 551 62
Total revenues	<u>214 100 00</u>	<u>215 100 00</u>	<u>320 081 95</u>	<u>104 981 95</u>
Expenditures:				
Legislative:				
Township Board	12 575 00	11 400 00	8 356 08	(3 043 92)
General government:				
Supervisor	8 950 00	8 950 00	8 910 91	(39 09)
Elections	2 700 00	2 900 00	2 825 58	(74 42)
Assessor	20 400 00	21 900 00	18 415 79	(3 484 21)
Clerk	8 800 00	8 460 00	7 912 24	(547 76)
Board of Review	560 00	1 110 00	963 28	(146 72)
Treasurer	15 100 00	18 100 00	16 259 07	(1 840 93)
Building and grounds	69 950 00	76 450 00	68 248 96	(8 201 04)
Cemetery	9 575 00	9 575 00	7 411 11	(2 163 89)
Public safety:				
Liquor law enforcement	-	2 000 00	1 991 35	(8 65)
Fire protection	25 230 00	19 730 00	14 117 15	(5 612 85)
Medical services	10 850 00	13 500 00	13 438 36	(61 64)
Planning and zoning	4 775 00	4 525 00	2 913 62	(1 611 38)
Public works:				
Highways and streets	28 750 00	32 000 00	18 752 55	(13 247 45)
Sanitation	6 500 00	4 500 00	3 643 10	(856 90)
Recreation:				
Recreation	13 400 00	19 500 00	14 711 97	(4 788 03)
Other:				
Insurance	14 000 00	14 000 00	10 988 00	(3 012 00)
Retirement	7 000 00	6 000 00	3 213 45	(2 786 55)
Capital outlay	11 000 00	19 000 00	11 500 00	(7 500 00)
Total expenditures	<u>270 115 00</u>	<u>293 600 00</u>	<u>234 572 57</u>	<u>(59 027 43)</u>
Excess (deficiency) of revenues over expenditures	<u>(56 015 00)</u>	<u>(78 500 00)</u>	<u>85 509 38</u>	<u>164 009 38</u>

TOWNSHIP OF MASONVILLE  
Delta County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Other financing sources (uses):				
Operating transfers out	(5 000 00)	(5 000 00)	(6 295 24)	(1 295 24)
Total other financing sources (uses)	(5 000 00)	(5 000 00)	(6 295 24)	(1 295 24)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(61 015 00)	(83 500 00)	79 214 14	162 714 14
Fund balance, April 1	61 015 00	268 310 89	261 267 71	(7 043 18)
Fund Balance, March 31	-	184 810 89	340 481 85	155 670 96

TOWNSHIP OF MASONVILLE  
Delta County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROADS AND BRIDGES FUND  
Year ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Interest	<u>-</u>	<u>-</u>	<u>6 534 22</u>	<u>6 534 22</u>
Total revenues	<u>-</u>	<u>-</u>	<u>6 534 22</u>	<u>6 534 22</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>6 534 22</u>	<u>6 534 22</u>
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>204 615 30</u>	<u>204 615 30</u>
Fund Balance, March 31	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>211 149 52</u></u>	<u><u>211 149 52</u></u>

TOWNSHIP OF MASONVILLE  
Delta County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2007

Township Board:	
Wages	1 520 00
Payroll taxes	147 88
Professional services	4 300 00
Miscellaneous	2 388 20
	<u>8 356 08</u>
Supervisor:	
Salary	8 100 00
Office supplies	113 41
Payroll taxes	340 80
Transportation	356 70
	<u>8 910 91</u>
Elections:	
Wages	1 494 00
Office supplies	1 331 58
	<u>2 825 58</u>
Assessor:	
Salary	15 399 96
Office supplies	915 25
Miscellaneous	2 100 58
	<u>18 415 79</u>
Clerk:	
Salary	7 211 13
Office supplies	543 21
Printing and publishing	157 90
	<u>7 912 24</u>
Board of Review:	
Wages	713 50
Miscellaneous	249 78
	<u>963 28</u>
Treasurer:	
Salary	10 564 54
Payroll taxes	145 11
Office supplies	5 549 42
	<u>16 259 07</u>
Building and grounds:	
Wages	14 215 02
Payroll taxes	1 078 30
Contracted services	1 434 13
Utilities	35 751 65
Repairs and maintenance	11 755 01
Miscellaneous	4 014 85
	<u>68 248 96</u>
Cemetery:	
Wages	4 575 00
Repairs and maintenance	2 836 11
	<u>7 411 11</u>
Liquor law enforcement:	
Wages	1 200 00
Miscellaneous	791 35
	<u>1 991 35</u>

TOWNSHIP OF MASONVILLE  
Delta County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2007

Fire protection:	
Wages	4 495 00
Payroll taxes	75 63
Professional services	544 26
Supplies	2 952 59
Utilities	1 047 05
Repairs and maintenance	4 842 01
Miscellaneous	160 61
	<u>14 117 15</u>
Medical services:	
Operating supplies	2 771 13
Wages	4 197 76
Repairs and maintenance	2 412 37
Miscellaneous	4 057 10
	<u>13 438 36</u>
Planning and zoning:	
Wages	2 378 66
Payroll taxes	71 96
Printing and publishing	208 00
Miscellaneous	255 00
	<u>2 913 62</u>
Highways and streets:	
Street lighting	7 436 98
Roads	8 991 52
Sidewalks	2 324 05
	<u>18 752 55</u>
Sanitation	<u>3 643 10</u>
Recreation:	
Wages	439 38
Supplies	5 115 00
Contracted services	1 478 20
Utilities	507 91
Repairs and maintenance	5 434 59
Operating supplies	1 736 89
	<u>14 711 97</u>
Insurance	<u>10 988 00</u>
Retirement	<u>3 213 45</u>
Capital outlay	<u>11 500 00</u>
Total Expenditures	<u><u>234 572 57</u></u>

TOWNSHIP OF MASONVILLE  
Delta County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS  
March 31, 2007

	<u>Roads and Bridges</u>	<u>Building Maintenance</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	<u>211 149 52</u>	<u>55 069 42</u>	<u>266 218 94</u>
Total Assets	<u>211 149 52</u>	<u>55 069 42</u>	<u>266 218 94</u>
<u>Fund Balances</u>			
Fund balances:			
Unreserved:			
Undesignated	<u>211 149 52</u>	<u>55 069 42</u>	<u>266 218 94</u>
Total Fund Balances	<u>211 149 52</u>	<u>55 069 42</u>	<u>266 218 94</u>



TOWNSHIP OF MASONVILLE  
Delta County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS  
Year ended March 31, 2007

	<u>Roads and Bridges</u>	<u>Building Maintenance</u>	<u>Total</u>
Revenues:			
Interest	<u>6 534 22</u>	<u>1 358 27</u>	<u>7 892 49</u>
Total revenues	<u>6 534 22</u>	<u>1 358 27</u>	<u>7 892 49</u>
Expenditures:			
Public safety:			
Housing	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	6 534 22	1 358 27	7 892 49
Fund balances, April 1	<u>204 615 30</u>	<u>53 711 15</u>	<u>258 326 45</u>
Fund Balances, March 31	<u><u>211 149 52</u></u>	<u><u>55 069 42</u></u>	<u><u>266 218 94</u></u>

TOWNSHIP OF MASONVILLE  
Delta County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –  
ALL AGENCY FUNDS  
Year ended March 31, 2007

	<u>Balance</u> <u>4/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/07</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	-	1 796 877 46	1 796 877 46	-
<u>Liabilities</u>				
Due to other funds	-	68 363 53	68 363 53	-
Due to others	-	1 728 513 93	1 728 513 93	-
Total Liabilities	-	1 796 877 46	1 796 877 46	-
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	-	2 810 06	2 780 06	30 00
<u>Liabilities</u>				
Due to other funds	-	109 50	109 50	-
Due to others	-	2 700 56	2 670 56	30 00
Total Liabilities	-	2 810 06	2 780 06	30 00
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	-	1 799 687 52	1 799 657 52	30 00
<u>Liabilities</u>				
Due to other funds	-	68 473 03	68 473 03	-
Due to others	-	1 731 214 49	1 731 184 49	30 00
Total Liabilities	-	1 799 687 52	1 799 657 52	30 00

# **CAMPBELL, KUSTERER & CO., P.C.**

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## **REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

June 27, 2007

To the Township Board  
Township of Masonville  
Delta County, Michigan

We have audited the financial statements of the Township of Masonville, Delta County, Michigan, as of and for the year ended March 31, 2007, and have issued our report thereon dated June 27, 2007. We conducted our audit in accordance with generally accepted auditing standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

### **Compliance**

As a part of obtaining reasonable assurance about whether Township of Masonville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect of the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclose no instances of non-compliance that are required to be reported under Government Auditing Standards.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Township of Masonville's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted an inadequate control over cash transactions caused by an inherent lack of segregation of duties which is due to the limited number of office personnel employed involving the internal control over financial reporting and its operation that we consider to be a material weakness.

This report is intended solely for the information of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
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## **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

June 27, 2007

To the Township Board  
Township of Masonville  
Delta County, Michigan

### **Compliance**

We have audited the compliance of Township of Masonville, Delta County, Michigan, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended March 31, 2007. Township of Masonville's major federal programs are identified in the schedule of expenditures of federal awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Township of Masonville's management. Our responsibility is to express an opinion on Township of Masonville's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Township of Masonville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Township of Masonville's compliance with those requirements.

In our opinion, Township of Masonville complies, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2007.

### **Internal Control Over Compliance**

The management of Township of Masonville is responsible for establishing and maintaining effective control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Township of Masonville's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

To the Township Board  
Township of Masonville  
Delta County, Michigan

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Campbell, Kusterer & Co., PC*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF MASONVILLE  
Delta County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended March 31, 2007

<u>Federal Grantor / Pass-through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:		
Direct programs:		
Rural Development Wastewater System Improvement Grant	10.760	<u>1 571 700 00</u>
Total direct programs		<u>1 571 700 00</u>
Total Expenditures of Federal Awards		<u>1 571 700 00</u>

TOWNSHIP OF MASONVILLE  
Delta County, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended March 31, 2007

There were no prior year findings.

There are no current year findings.

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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

June 27, 2007

To the Township Board  
Township of Masonville  
Delta County, Michigan

We have audited the financial statements of the Township of Masonville for the year ended March 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Masonville in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."



To the Township Board  
Township of Masonville  
Delta County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2007.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants